

Tourism Jobs and Wages in Utah: A Quantitative and Qualitative Analysis ***Executive Summary and Conclusions***

Research and analysis conducted on behalf of the Utah Division of Travel Development by the University of Utah's Bureau of Economic and Business Research

Utah's economic base has undergone significant transformation over the past 50 years. The employment shift toward the services-producing sectors and away from the goods-producing sectors is just one example of this economic transition. The impact of these shifts on the local economy can be evaluated by looking at changes in employment and wage rates.

Consistent with trends nationwide, extractive industries and manufacturing activities have assumed a smaller role in Utah's economic base over the past decades. In 1950, employment in Utah's extractive industries (including mining, logging and sawmills) represented almost 9.0 percent of all nonagricultural employment in the state. By the end of 1997, employment in extractive industries represented slightly more than 1.0 percent of all nonagricultural employment.

The importance of this sector is belied by this relatively small share of employment. In terms of wages, jobs within the extractive industries are comparatively high paying. In 1997, workers in this sector received wages that exceeded the state average by 70 percent. Further, wage growth in this sector has averaged 5.3 percent compared to the statewide average annual wage increase of 4.7 percent. So, although jobs in this sector are high-paying jobs, there are few of them. And, expansion in the extractive industries sector in the local economy is limited, particularly in mining where technological advances have resulted in sustained production levels that require fewer workers.

An analysis of the manufacturing sector shows somewhat similar trends. While this sector has avoided the volatility of the extractive industries sector, its share of employment has also declined over the past four decades. In 1950, manufacturing employed about 30,000 workers, and accounted for more than 24 percent of nonagricultural employment in the state. By 1997, employment in manufacturing totaled about 133,000 workers, but accounted for only 16 percent of all nonagricultural employment, a drop of eight percentage points.

Much like the extractive industries sector, wages in the manufacturing sector have been growing at a slightly faster rate than wages in the nonagricultural sector in general. Whereas wages paid to workers in the manufacturing sector 50 years ago were about 10 percent above the annual average statewide, in 1997, the wage "premium" in the manufacturing sector was 25 percent. However, global economic pressures have kept the job creation rate in Utah's manufacturing sector at about 3.0 percent annually. So, while the wage rates in this sector have outperformed those at a statewide level, job creation is occurring at a lower rate than job growth in general.

Measured by employment growth, the services-producing sector has been the stellar performer in Utah's economic expansion. Since 1950, Utah's employment base has been growing at an annual rate of 3.8 percent. Growth in the services-producing sector has been the primary contributor to this economic expansion. For example, in 1997, employment in this sector totaled about 498,000, representing 61.0 percent of all nonagricultural employment. In 1950, employment totaled 66,600 and accounted for about 46.0 percent of all employment.

Unfortunately, wages paid to workers in the services-producing sector, overall, continue to be low. Over the past 50 years, the average wage in the services-producing sector has remained at least 10 percent below the statewide average. By 1997, the average annual wages received by workers in this sector was \$20,696 – 18 percent lower than the statewide average nonagricultural wage of \$25,092.

The reasons wage growth in the services-producing sector has not kept pace with wage growth on the whole can be partly explained by Utah's labor force. Utah has a young labor force and a high level of part-time employment, especially in retail trade and services. So, although a multitude of jobs exist in the services-producing sector, many of them are in areas that require few skills, and are therefore, low paying. However, they do provide employment opportunities for entry-level workers and individuals who prefer part-time employment.

While Utah's economic structure has undergone a series of changes and adjustments, on the whole, the economy has flourished. Growth and expansion in tourism and travel have been important factors in Utah's thriving economy. In 1998, about 17.8 million people visited Utah spending a total of \$4.1 billion in the local economy. This spending generates jobs and income for Utah residents.

Based on estimates made by the Bureau of Economic and Business Research, the number of direct jobs generated by tourism spending has more than doubled over the past 20 years. In 1977, tourism spending in Utah translated to jobs for an estimated 26,600. By 1997, that number had jumped to 63,300 workers, or about 7.7 percent of all nonagricultural jobs in the private sector.

As a microcosm of the broader economy, tourism in Utah has also undergone certain transitions over the past two decades. In 1998, the three largest segments of the local tourism industry were food service, lodging and transportation. Combined, these segments accounted for about 67 percent of all travel-generated employment. In comparison, in 1977, the three largest components were food service, general retail, and lodging, and accounted for 76 percent of all travel-generated employment. The upshot is that Utah's tourism sector is becoming more concentrated in those segments that cater directly to the traveler (restaurants, lodging, transportation), but it is also affecting the wider range of industries.

A defining characteristic of tourism, unfortunately, is a low average straight hour wage rate. As estimated by BEBR, in 1997, the average annual nonagricultural wage in the tourism sector in Utah was \$20,544, or about 71 percent of the average annual wage for all nonagricultural workers in the private sector. Two of the lowest-paying sectors were food service and lodging.

On the other hand, not all tourism jobs are low paying. There are segments within the tourism sector that exhibit very high rates of pay. The transportation sector, for example, has wage rates that are 37 percent higher than the average nonagricultural wage rate paid to workers in the private sector. And, within broad segments of the tourism sector there are high paying jobs that compare well with jobs that are not closely tied with tourism. These high paying jobs include commercial airline pilots, food management positions and museum and zoo directors.

Furthermore, while wages in the tourism sector are, on average, comparatively low they are also increasing more rapidly than nonagricultural wages as a whole. In 1977, the average earnings for a worker in the tourism sector were 63 percent of the average earnings for a nonagricultural worker in the private sector. By 1997, the average tourism worker's earnings were about 71 percent of the average for all workers.

Although tourism is an important component of Utah's economy, comparatively, Utah's economy is less reliant on tourism than are the economies in most surrounding states. In a five-state analysis that includes Utah, Arizona, Colorado, Idaho and New Mexico, only Idaho had a smaller percentage of its economy dependent on tourism activity than did Utah.

Tourism and recreation activities in Utah are not limited to the state's large metropolitan areas. Tourism impacts communities throughout the state, especially in rural Utah – the location of many natural scenic wonders and attractions. For many rural communities, tourism is the primary source of economic activity, providing jobs and income for areas residents when more traditional industries such as mining and timber harvesting disappear.